

U.S.- Panama Trade Promotion Agreement Market Access Results

Transportation Equipment

Trade and Tariffs

The transportation sector covers large cargo vehicles, railway vehicles, and cargo vessels.

Transportation equipment accounted for less than 1 percent of U.S. industrial exports to Panama in 2006, totaling \$6.8 million. The top U.S. exports in this sector were sea vessels, rail track fixtures, trailers and semi-trailers, and railway tank cars. Panamanian tariffs range between zero and 15 percent with an average of 13.9 percent.

Panama exported \$37 thousand in this sector to the United States in 2006, or less than 1 percent of Panama's industrial exports to the United States. U.S. tariffs applied to the transportation sector range from zero to 15 percent, with an average of 3 percent. All Panamanian exports in this sector enter the United States duty-free under the Caribbean Basin Economic Recovery Act (CBERA) and Caribbean Basin Trade Promotion Act (CBTPA) tariff preference programs.

Tariff Elimination

Tariffs will be phased-out according to four tariff elimination categories: immediate elimination; linear cuts over five years; linear cuts over ten years; and nonlinear cuts over ten years. Tariff elimination under the nonlinear ten-year staging category will proceed with a 3 percent cut in the tariff in years one and two, a 5 percent cut in years three through six, an 18 percent cut in years seven and eight, and a 19 percent cut each in years nine and ten.

For transportation equipment, 93 percent of U.S. industrial exports will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on another 4 percent of exports will be eliminated over five years. Duties on the remaining 3 percent of U.S. exports will be eliminated over ten years. Products with tariff reduction over a ten-year period include certain railway tank cars, some truck assemblies and axles, and certain brakes.

The United States agreed to consolidate all CBERA and CBTPA tariff preferences into the final tariff elimination schedule, therefore all transportation equipment exports from Panama will continue to receive duty-free treatment.

Non-Tariff Barriers

Panama will eliminate its prohibition on the importation of remanufactured shipping and transportation equipment, as defined in Chapter 4—Rules of Origin, on entry into force of the Agreement.